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ANNUAL REPORT

IDAHO PUBLIC
UTILITIES COMMISSION

OF

Capitol Water Corporation
NAME

2626 Eldorado Boise, Idaho 83704
ADDRESS

TO THE

IDAHO PUBLIC

UTILITIES COMMISSION

FOR THE

YEAR ENDED December 31, 2001

ANNUAL REPORT

OF

Capitol Water Corporation

NAME

2626 Eldorado Boise, Idaho 83704

ADDRESS

TO THE

***IDAHO PUBLIC
UTILITIES COMMISSION***

FOR THE

YEAR ENDED: December 31, 2001

STANTON, JACKSON & CO., PLLC
ACCOUNTING & CONSULTING

415 South 4th Street
Post Office Box 1693
Boise, Idaho 83701

Board of Directors
Capitol Water Corporation
Boise, Idaho

We have compiled the balance sheet of CAPITOL WATER CORPORATION, as of December 31, 2001, and the related statements of income and retained earnings for the year then ended in the accompanying prescribed form of the Idaho Public Utilities Commission, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have also compiled the supplementary schedules of revenue and expense detail, plant in service detail, accumulated depreciation detail, capital stock detail, detail of long-term debt and system engineering data.

Our compilation is limited to presenting in the form prescribed by the Idaho Public Utilities Commission information that is the representation of management. We have not audited or reviewed the financial statements and supplementary information referred to above and, accordingly, we do not express an opinion or any other form of assurance on them.

These financial statements and supplementary information are presented in accordance with the requirements of the Idaho Public Utilities Commission, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.



Boise, Idaho
May 13, 2002

**ANNUAL REPORT FOR WATER UTILITIES TO
THE IDAHO PUBLIC UTILITIES COMMISSION
FOR THE YEAR ENDING December 31, 2001**

COMPANY INFORMATION

- 1 Give full name of utility: Capitol Water Corporation
- 2 Date of Organization: April 7, 1959
- 3 Organized under the laws of the state of: Idaho
- 4 Address of Principal Office (number & street) 2626 Eldorado
- 5 P.O. Box (if applicable) _____
- 6 City Boise
- 7 State Idaho
- 8 Zip Code 83704
- 9 Organization (proprietor, partnership, Corp.) Corporation
- 10 Towns, Counties served Boise
Ada County
- 11 Are there any affiliated Companies? No

If yes, attach a list with names, addresses & descriptions. Explain any services provided to the utility.

12 Contact Information:	Name	Phone No.
President (Owner)	H. Robert Price	375-0931
Vice President	Margaret Price	801-581-0331
Secretary	Bonnie Price	375-0931
General Manager	H. Robert Price	375-0931
Complaints or Billing	Bonnie Price	375-0931
Engineering	H. Robert Price	375-0931
Emergency Service	H. Robert Price	375-0931
Accounting	Stanton, Jackson, & Co., PLLC	345-2350

- 13 Were any water systems acquired during the year or any additions/deletions made to the service area during the year? No

If yes, attach a list with names, addresses & descriptions. Explain any services provided to the utility.

- 14 Where are the Company's books and records kept?
- Street Address 2626 Eldorado
- City Boise
- State Idaho
- Zip 83704

NAME: Capitol Water Corporation

COMPANY INFORMATION (Cont.)

For the Year Ended: December 31, 2001

15 Is the system operated or maintained under a service contract? No

16 **If yes:** With whom is the contract? _____
When does the contract expire? _____
What services and rates are included? _____

17 Is water purchased for resale through the system? No

18 **If yes:** Name of Organization _____
Name of owner or operator _____
Mailing Address _____
City _____
State _____
Zip _____

	Gallons/CCF	\$ Amount
Water Purchased	_____	_____

19 Has any system(s) been disapproved by the Idaho Division of Environmental Quality? Yes

If yes, attach full explanation

20 Has the Idaho Division of Environmental Quality recommended any improvements? Yes

If yes, attach full explanation

21 Number of Complaints received during year concerning:
Quality of Service - *Requests for Rust Remover* 51
High Bills 0
Disconnection 0

22 No. of Customers involuntarily disconnected 10

23 Date customers last received a copy of the Summary of Rules required by IDAPA 31.21.01.701? May 1, 2001

Attach a Copy of the Summary

24 Did significant additions or retirements from the Plant Accounts occur during the year? No

If yes, attach full explanation and an updated system map

NAME: Capitol Water Corporation

REVENUE & EXPENSE DETAIL

For the Year Ended: December 31, 2001

ACCT #	DESCRIPTION		
400 REVENUES			
1	460	Unmetered Water Revenue	\$ 374,778
2	461.1	Metered Sales - Residential	
3	461.2	Metered Sales - Commercial, Industrial	76,466
4	462	Fire Protection Revenue	4,465
5	464	Other Water Sales Revenue	113,864
6	465	Irrigation Sales Revenue	*** (Includes \$110,439 of surcharge income)
7	466	Sales for Resale	
8	400	Total Revenue (Add Lines 1 - 7) (also enter result on Page 4, line 1)	\$ 569,573
9	*	DEQ Fees Billed separately to customers	9,968 Booked to Acct # 165.0
10	**	Hookup or Connection Fees Collected	Booked to Acct #
11	***	Commission Approved Surcharges Collected	110,439 Booked to Acct # 460.4
401 OPERATING EXPENSES			
12	601.1-6	Labor - Operation & Maintenance	37,682
13	601.7	Labor - Customer Accounts	32,313
14	601.8	Labor - Administrative & General	32,336
15	603	Salaries, Officers & Directors	47,240
16	604	Employee Pensions & Benefits	26,394
17	610	Purchased Water	
18	615-16	Purchased Power & Fuel for Power	59,696
19	618	Chemicals	28,641
20	620.1-6	Materials & Supplies - Operation & Maint.	12,274
21	620.7-8	Materials & Supplies - Administrative & General	15,270
22	631-34	Contract Services- Professional	10,140
23	635	Contract Services - Water Testing	
24	636	Contract Services - Other	765
25	641-42	Rentals - Property & Equipment	
26	650	Transportation Expense	6,910
27	656-59	Insurance	13,817
28	660	Advertising	
29	666	Rate Case Expense (Amortization)	
30	667	Regulatory Comm. Exp. (Other except taxes)	
31	670	Bad Debt Expense	91
32	675	Miscellaneous	11,407
33		Total Operating Expenses (Add lines 12 - 32, also enter on Pg 4, line 2)	\$ 334,976

NAME: Capitol Water Corporation

INCOME STATEMENT

For the Year Ended: December 31, 2001

ACCT #	DESCRIPTION		
1	Revenue (From Page 3, line 8)		\$ 569,573
2	Operating Expenses (From Page 3, line 33)	\$ 334,976	
3	403 Depreciation Expense	96,626	
4	406 Amortization, Utility Plant Acquisition Adj.		
5	407 Amortization Exp. - Other		
6	408.10 Regulatory Fees (PUC)	1,597	
7	408.11 Property Taxes	29,445	
8	408.12 Payroll Taxes	11,560	
9A	408.13 Other Taxes (list) DEQ Fees		
9B	Irrigation	106	
9C	Vehicles	70	
9D			
10	409.10 Federal Income Taxes	1,764	
11	409.11 State Income Taxes	26	
12	410.10 Provision for Deferred Income Tax - Federal		
13	410.11 Provision for Deferred Income Tax - State		
14	411 Provision for Deferred Utility Income Tax Credits		
15	412 Investment Tax Credits- Utility		
16	Total Expenses from operations before interest (add lines 2-15)	\$ 476,170	
17	413 Income From Utility Plant Leased to Others		
18	414 Gains (Losses) From Disposition of Utility Plant		
19	Net Operating Income (Add lines 1, 17 & 18 less line 16)		\$ 93,403
20	415 Revenues, Merchandizing Jobbing and Contract Work		
21	416 Expenses, Merchandizing, Jobbing & Contracts		
22	419 Interest & Dividend Income	0	
23	420 Allowance for Funds used During Construction		
24	421 Miscellaneous Non-Utility Income		
25	426 Miscellaneous Non-Utility Expense		
26	408.20 Other Taxes, Non-Utility Operations		
27	409-20 Income Taxes, Non-Utility Operations		
28	Net Non-Utility Income (Add lines 20,22,23 & 24 less lines 21,25,26, & 27)		0
29	Gross Income (add lines 19 & 28)		\$ 93,403
30	427.3 Interest Exp. on Long-Term Debt		35,356
31	427.5 Other Interest Charges		
32	NET INCOME (Line 29 less lines 30 & 31) (Also Enter on Pg 9, Line 2)		\$ 58,047

NAME: Capitol Water Corporation

ACCOUNT 101 PLANT IN SERVICE DETAIL
 For the Year Ended: December 31, 2001

	SUB ACCT	DESCRIPTION	Balance Beginning of Year	Added During Year	Removed During Year	Balance End of Year
1	301	Organization	\$ 3,584			\$ 3,584
2	302	Franchises and Consents	38,469	2,500		40,969
3	303	Land & Land Rights	80,873			80,873
4	304	Structures and Improvements	112,408	2,801		115,209
5	305	Reservoirs & Standpipes	3,528			3,528
6	306	Lake, River & Other Intakes				
7	307	Wells	544,919	13,389		558,308
8	308	Infiltration Galleries & Tunnels				
9	309	Supply Mains				
10	310	Power Generation Equipment				
11	311	Power Pumping Equipment	154,970	678		155,648
12	320	Purification Systems	21,380	1,993		23,373
13	330	Distribution Reservoirs & Standpipes				
14	331	Trans. & Distrib. Mains & Accessories	1,126,444	12,052		1,138,496
15	333	Services	507,129	24,031		531,160
16	334	Meters and Meter Installations	90,246	1,861		92,107
17	335	Hydrants				
18	336	Backflow Prevention Devices				
19	339	Other Plant & Misc. Equipment				
20	340	Office Furniture and Equipment	16,596	689		17,285
21	341	Transportation Equipment	91,342	326		91,668
22	342	Stores Equipment				
23	343	Tools, Shop and Garage Equipment	9,524	1,752		11,276
24	344	Laboratory Equipment				
25	345	Power Operated Equipment				
26	346	Communications Equipment				
27	347	Miscellaneous Equipment				
28	348	Other Tangible Property	107			107
29		TOTAL PLANT IN SERVICE (Add lines 1 - 28)	\$ 2,801,519	\$ 62,072	\$ 0	\$ 2,863,591

Enter beginning & end of year totals on Pg 7, Line 1

NAME: Capitol Water Corporation

ACCUMULATED DEPRECIATION ACCOUNT 108.1 DETAIL

For the Year Ended: December 31, 2001

SUB ACCT	DESCRIPTION	Depreciation Rate %	Balance Beginning of Year	Balance End of Year	Increase or (Decrease)
1	304 Structures and Improvements		\$ 68,123	\$ 70,854	\$ 2,731
2	305 Reservoirs & Standpipes		2,512	2,558	46
3	306 Lake, River & Other Intakes				
4	307 Wells		143,744	163,032	19,288
5	308 Infiltration Galleries & Tunnels				
6	309 Supply Mains				
7	310 Power Generation Equipment				
8	311 Power Pumping Equipment		82,702	86,544	3,842
9	320 Purification Systems		19,451	19,588	137
10	330 Distribution Reservoirs & Standpipes				
11	331 Trans. & Distrib. Mains & Accessories		667,209	705,927	38,718
12	333 Services		217,839	233,791	15,952
13	334 Meters and Meter Installations		38,888	41,885	2,997
14	335 Hydrants				
15	336 Backflow Prevention Devices				
16	339 Other Plant & Misc. Equipment				
17	340 Office Furniture and Equipment		9,683	11,600	1,917
18	341 Transportation Equipment		38,953	53,510	14,557
19	342 Stores Equipment				
20	343 Tools, Shop and Garage Equipment		6,825	7,749	924
21	344 Laboratory Equipment				
22	345 Power Operated Equipment				
23	346 Communications Equipment				
24	347 Miscellaneous Equipment				
25	348 Other Tangible Property		52	56	4
26	TOTALS (Add Lines 1 - 25)		\$ 1,295,981	\$ 1,397,094	\$ 101,113

Enter beginning & end of year totals on Pg 7, Line 7

NAME: Capitol Water Corporation

BALANCE SHEET

For the Year Ended: December 31, 2001

		<u>ASSETS</u>		
ACCT	DESCRIPTION	Balance Beginning of Year	Balance End of Year	Increase or (Decrease)
1	101 Utility Plant in Service (From Pg 5, Line 29)	\$ 2,801,519	\$ 2,863,591	\$ 62,072
2	102 Utility Plant Leased to Others			
3	103 Plant Held for Future Use			
4	105 Construction Work in Progress			
5	114 Utility Plant Acquisition Adjustment			
6	Subtotal (Add Lines 1 - 5)	2,801,519	2,863,591	62,072
7	108.1 Accumulated Depreciation (From Pg 6, Line 26)	1,295,981	1,397,094	101,113
8	108.2 Accum. Depr.- Utility Plant Lease to Others			
9	108.3 Accum. Depr. - Property Held for Future Use			
10	110.1 Accum. Amort. - Utility Plant in Service			
11	110.2 Accum. Amort.- Utility Plant Lease to Others			
12	115 Accumulated Amortization- Acquisition Adj.			
13	Net Utility Plant (Line 6 less lines 7 - 12)	1,505,538	1,466,497	(39,041)
14	123 Investment in Subsidiaries			
15	125 Other Investments			
16	Total Investments (Add lines 14 & 15)			
17	131 Cash	60,163	18,826	(41,337)
18	135 Short Term Investments	45,800	48,630	2,830
19	141 Accts/Notes Receivable - Customers	41,449	51,119	9,670
20	142 Other Receivables			
21	145 Receivables from Associated Companies			
22	151 Materials & Supplies Inventory	7,197	7,359	162
23	162 Prepaid Expenses	1,565	1,690	125
24	173 Unbilled (Accrued) Utility Revenue			
25	143 Provision for Uncollectable Accounts			
26	Total Current (add lines 17 -24 less line 25)	156,174	127,624	(28,550)
27	181 Unamortized Debt Discount & Expense			
28	183 Preliminary Survey & Investigation Charges			
29	184 Deferred Rate Case Expenses			
30	186 Other Deferred Charges			
31	Total Assets (Add lines 13, 16 & 26 - 30)	\$ 1,661,712	\$ 1,594,121	\$ (67,591)

NAME: Capitol Water Corporation

BALANCE SHEET

For the Year Ended: December 31, 2001

LIABILITIES & CAPITAL		Balance	Balance	Increase
ACCT #	DESCRIPTION	Beginning of Year	End of Year	or (Decrease)
1	201-3 Common Stock	\$ 10,000	\$ 10,000	
2	204-6 Preferred Stock			
3	207-13 Miscellaneous Capital Accounts	29,200	29,200	
4	214 Appropriated Retained Earnings			
5	215 Unappropriated Retained Earnings	660,885	714,766	\$ 53,881
6	216 Reacquired Capital Stock			
7	218 Proprietary Capital			
8	Total Equity Capital (Add Lines 1-5+7less line 6)	700,085	753,966	53,881
9	221-2 Bonds		5,000	5,000
10	223 Advances from Associated Companies			
11	224 Other Long- Term Debt	360,805	0	(360,805)
12	231 Accounts Payable	4,334	16,080	11,746
13	232 Notes Payable	125,657	381,144	255,487
14	233 Accounts Payable - Associated Companies			
15	235 Customer Deposits (Refundable)			
16	236.11 Accrued Other Taxes Payable	38,131	36,926	(1,205)
17	236.12 Accrued Income Taxes Payable	919	(12,343)	(13,262)
18	236.2 Accrued Taxes - Non-Utility			
19	237-40 Accrued Debt, Interest & Dividends Payable	0	125	125
20	241 Misc. Current & Accrued Liabilities			
21	251 Unamortized Debt Premium			
22	252 Advances for Construction	361,192	347,120	(14,072)
23	253 Other Deferred Liabilities			
24	255.1 Accumulated Investment Tax Credits - Utility			
25	255.2 Accum. Investment Tax Credits - Non-Utility			
26	261-5 Operating Reserves			
27	271 Contributions in Aid of Construction	146,864	146,864	
28	272 Accum. Amort. of Contrib. in Aid of Const. **	(76,275)	(80,761)	(4,486)
29	281-3 Accumulated Deferred Income Taxes			
30	Total Liabilities (Add lines 9 - 29)	961,627	840,155	(121,472)
31	TOTAL LIAB & CAPITAL (Add lines 8 & 30)	\$ 1,661,712	\$ 1,594,121	\$ (67,591)

**** Only if Commission Approved**

NAME: Capitol Water Corporation

STATEMENT OF RETAINED EARNINGS

For the Year Ended: December 31, 2001

1	Retained Earnings Balance @ Beginning of Year	<u>\$ 660,885</u>
2	Amount Added from Current Year Income (From Pg 4, Line 32)	<u>58,047</u>
3	Other Credits to Account	<u> </u>
4	Dividends Paid or Appropriated	<u> </u>
5	Other Distributions of Retained Earnings - <i>Country Club Dues</i>	<u>(4,166)</u>
6	Retained Earnings Balance @ End of Year	<u><u>\$ 714,766</u></u>

CAPITAL STOCK DETAIL

7	Description (Class, Par Value etc.)	No. Shares Authorized	No. Shares Outstanding	Dividends Paid
	Common Stock	250	100	None

DETAIL OF LONG-TERM DEBT

8	Description	Interest Rate	Year-end Balance	Interest Paid	Interest Accrued
	Advances for Construction	N/A	\$ 347,120	None	None
	Debentures	10%	5,000	\$500	None
	Note - Contract Center	10.50%	0	914	None
	Note - R. Price	9.00%	55,232	None	None
	Note - Bayhill	7.87%	28,571	2,356	None
	Note - Schwartz	10.50%	24,771	3,409	None
	Note - B of A Surcharge	9.00%	174,072	18,415	None
	Note - B of A	7.25%	98,500	789	None
	Notes - Automobiles	Various	0	8,973	None

NAME: Capitol Water Corporation

SYSTEM ENGINEERING DATA

For the Year Ended: December 31, 2001

1 Provide an updated system map if significant changes have been made to the system during the year.

2 Water Supply:

Pump Designation or location	Rated Capacity (gPM)	Type of Treatment: (None, Chlorine Fluoride Filter etc.)	Annual Production (000's Gal.)	Water Supply Source (Well, Spring, Surface Wtr)
Well #1	350	None		Well
Well #2 (Inoperative)	450	None		Well
Well #3	800	None		Well
Well #4	2,000	None		Well
Well #5 (Abandoned per DEQ order)	250	None		Well
Well #6	1500	None		Well
Well #7	1500	None		Well

3 System Storage:

Storage Designation or Location	Total Capacity 000's Gal.	Usable Capacity 000's Gal.	Type of Reservoir (Elevated, Pressurized, Boosted)	Construction (Wood, Steel Concrete)
Well #1	1,500		Pressurized Steel	
Well #2 (Inoperative)				
Well #3	3,000		Pressurized Steel	
Well #4				
Well #5 (Abandoned per DEQ order)				
Well #6				
Well #7				

(Duplicate form and attach if necessary. Asterisk facilities added this year.)

NAME: Capitol Water Corporation

**SYSTEM ENGINEERING DATA
(continued)**

For the Year Ended: December 31, 2001

4 Pump information for ALL system pumps, including wells and boosters.

Designation or Location & Type of Pump**	Horse Power	Rated Capacity (gpm)	Discharge Pressure (psi)	Energy Used This Year
Well #1	30	350	70	
Well #2 (Inoperative)	25	450	50	
Well #3	100	800	50	
Well #4	200	2000	60	
Well #5 (Abandoned per DEQ order)				
Well #6	150	1500	70	
Well #7	150	1500	75	

**** Submit pump curves unless previously provided or unavailable. Asterisk facilities added this year. Attach additional sheets if inadequate space is available on this page.**

- 5 If Wells are metered:
- What was the total amount pumped this year? Unknown
 - What was the total amount pumped during peak month? Unknown
 - What was the total amount pumped on the peak day? 4,041,400
- 6 If customers are metered, what was the total amount sold in peak month? N/A
- 7 Was your system designed to supply fire flows? Yes
If Yes What is current system rating? Included with all city rating
- 8 How many times were meters read this year? Every Day
 During which Months? April through October
- 9 How many additional customers could be served with no system improvements except a service line and meter? Unknown
 How many of those potential additions are vacant lots? Unknown
- 10 Are backbone plant additions anticipated during the coming year? Yes
If Yes, attach an explanation of projects and anticipated costs!
- 11 In what year do you anticipate that the system capacity (supply, storage or distribution) will have to be expanded? 2002

NAME: Capitol Water Corporation

SYSTEM ENGINEERING DATA

(continued)

For the Year Ended: December 31, 2001

FEET OF MAINS

1	Pipe Size	In Use Beginning Of Year	Installed During Year	Abandoned During Year	In Use End of Year
	10"	600			600
	2"	7,766			7,766
	4"	23,740			23,740
	6"	75,794	100		75,894
	8"	38,895	480		39,375
	12"	2,060			2,060
	3/4"	58,793	300		59,093
	1"	3,061			3,061
	1 1/2"	260			260

CUSTOMER STATISTICS

		Number of Customers		Thousands of Gallons Sold	
		This Year	Last Year	This Year	Last Year
2	Metered:				
2A	Residential				
2B	Commercial	199	199		
2C	Industrial				
	Other				
3	Flat Rate:				
3A	Residential	2,272	2,392		
3B	Commercial				
3C	Industrial				
	Other (Firelines)	122			
4	Private Fire Protection:				
5	Public Fire Protection:	164	163		
6	Street Sprinkling				
7	Municipal, Other:				
8	Other Water Utilities:				
TOTALS (Add lines 2 through 8)		2,757	2,754		

CERTIFICATE

State of Idaho

County of Ada)

WE, the undersigned H. Robert Price
and Bonnie Price
of the Capital Water Corporation

utility, on our oath do severally say that the foregoing report has been prepared under our direction, from the original books, papers and records of said utility; that we have carefully examined same, and declare the same to be a correct statement of the business and affairs of said utility for the period covered by the report in respect to each and every matter and thing therein set forth, to the best of our knowledge, information and belief.



(Chief Officer)



(Officer in Charge of Accounts)

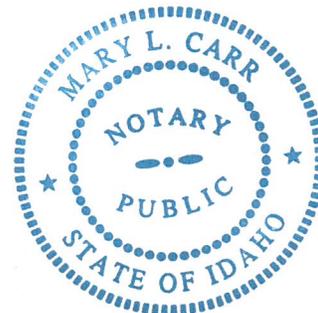
Subscribed and Sworn to Before Me

this 15th day of MAY, 2002



NOTARY PUBLIC

My Commission Expires 11-24-2004



Capitol Water Corporation
Additional Explanations
PUC Report, December 31, 2001

Company Information

19. DEQ has issued an order to abandon well #5. During 2002, we will redrill well #5.
20. DEQ has recommended that we redrill well #5.

System Engineering Data

10. The anticipated costs of backbone plant additions are:

Redrill well #5 - \$346,000

COMPLAINT PROCEDURES

If at any time you have a complaint concerning the termination of service, policies and practices, or any other matter regarding our service, please contact Capitol Water Corp. in person, by telephone, or in writing. Your complaint will be investigated promptly and thoroughly. You will be notified orally or in writing of the results of the investigation, and we will make every effort to resolve the complaint.

If you are dissatisfied with the proposed resolution of your complaint, you may ask the IPUC to review the matter. Your request may be made orally or in writing. Your service will not be disconnected while the complaint is being investigated by the Utility or the IPUC.

RESTRICTIONS ON TERMINATION OF SERVICE

Service cannot be disconnected on Friday after 12:00 noon or on Saturday, Sunday, Legal Holidays recognized by the State of Idaho, or after 12:00 noon on any day immediately before any legal holiday. Service may only be terminated between the hours of 8:00 a.m. and 4:00 p.m.

The employee sent to the premises to terminate service will identify himself/herself to you and state the purpose of the visit. This employee is authorized to accept payment in full.

RATE SCHEDULE INFORMATION

Residential - Flat Rate/ month

Residential 3/4"	Service	12.65
Residential 1"	Service	14.50
Residential 1 1/4"	Service	15.75

Sprinkling: Sprinkling charge of 11.40 per month from May 1 through September 30 in addition to the Flat Rate. The total of the Applicable residential rate plus the sprinkling charge is known as the summer rate.

Metered Customers - Commercial

For the first 1,000 cu feet per month per 100 cu feet	\$.85
For the next 1,000 cu feet per month per 100 cu feet	.48
For the next 2,000 cu feet per month per 100 cu feet	.36

The monthly minimum charge for service under this schedule shall not be less than the following for all metered customers.

Meters not larger than 3/4"	7.50
For 1" Meters	10.40
For 1 1/2" Meters	15.00
For 2" Meters	25.65
For 3" Meters	45.75

If you have further questions on your billing, we will be happy to discuss this process, step by step, with your Capitol Water bills monthly, one month in advance for Residential customers. Metered customers are billed monthly, one month in arrears. All billings are mailed the first of each month.

TO OUR CUSTOMERS:

This is a summary of the rules for termination of service for all Capitol Water Corporation customers as determined by the Idaho Public Utilities Commission (IPUC), effective July 1, 1988. These rules cover the rights and responsibilities of the customer and the Utility. An explanation of our rate schedule has also been included.

If you have any questions concerning this information, please contact:

Capitol Water Corporation
2626 Eldorado St.
Boise, ID 83704
(208) 375-0931

Or

IPUC
472 W. Washington St
P.O. Box 83720
Boise, ID 83720-0074
(208) 334-0369

DEPOSITS/PAYMENT GUARANTEES

The IPUC service rules allow Utilities to ask for deposits or payment guarantees under specific conditions. At this time, Capitol Water Corporation does not require deposits or payment guarantees.

RULES FOR TERMINATION OF SERVICE

TERMINATION WITH PRIOR NOTICE

With proper customer notification Capitol Water Corporation may deny or terminate water service for one of the following reasons:

1. Nonpayment of a past due billing or payment of a past due billing with any check not honored by the bank;
2. Failure to abide by the terms of a payment arrangement;
3. Obtaining service by mis-representation of identity;
4. Denying or willfully preventing access to the water meter or shut off valve;
5. Willfully wasting service through improper equipment or otherwise;
6. Failure to apply for service.

TERMINATION WITHOUT PRIOR NOTICE

Capitol Water Corporation may deny or terminate water service without notice for

any of the following reasons:

1. A situation exists that is immediately dangerous to life, physical safety or property;
2. To prevent a violation of federal, state or local safety or health codes;
3. Service is obtained, diverted or used without the authorization of Capitol Water Corporation
4. Capitol Water Corporation has diligently attempted to notify you of termination and has been unable to contact you;
5. If ordered by any court, the Commission, or any other duly authorized public authority.

NOTIFICATION

1. A billing may be considered past due thirty (30) days after the billing date. A written notice of termination must be mailed at least seven (7) days before the proposed termination date.
2. At least twenty-four (24) hours before the service is terminated, a notice will be left at the property advising you of the steps needed to have services restored.
3. When the 24 hour period has lapsed, another attempt will be made to contact you in person or by telephone.

Only a twenty-four (24) notice is required if:

4. You do not make an initial payment according to a payment arrangement or the initial payment is made with a check not honored by the bank.

PAYMENT ARRANGEMENTS AND SPECIAL CIRCUMSTANCES

If you cannot pay your billing in full or you receive a notice of termination, please call our office. Payment arrangements can be made to avoid termination of service.

If you cannot pay your billing and a member of your household is seriously ill or there is a medical emergency, Capitol Water Corporation will postpone the termination of service for thirty (30) days. A written certificate is required from a licensed physician or public health official stating the name of the person who is ill, the nature of the illness and the name, title, and signature of the person certifying the serious illness or medical emergency.

SPECIAL PROVISIONS

A service charge of \$15.00 will apply for any service call made by the company at the request of customer during times other than regular business hours.

STANTON, JACKSON & CO., PLLC
ACCOUNTING & CONSULTING

415 South 4th Street
Post Office Box 1693
Boise, Idaho 83701

May 13, 2002

Idaho Public Utilities Commission
Attn: Bob Smith
P.O. Box 83720
Boise, ID 83720-0074

RE: Capitol Water Corporation's 2001 Surcharge Income Effect on Taxes

Dear Bob,

Per your request, we have calculated the surcharge income affect on Capitol Water Corporation's 2001 tax return. As per the attached schedule, you will notice that by taking the surcharge income and subtracting the phosphate and other related expenses for the year, we have calculated surcharge net income of \$49,282.55. The total tax effect on this income is \$7,903. This is due to the net loss created by removing surcharge net income from taxable income. If you have any additional information requests, feel free to contact Jason Wood at (208) 345-2350.

Sincerely,



Richard O. Stanton, CPA

Stanton, Jackson & Co., PLLC

Capitol Water Corporation
Surcharges - Effect of Tax Returns
For the Year Ending 12/31/2001

<u>Description</u>	<u>Amount</u>
Surcharge Income	\$ 110,438.69
Expenses	
Interest - B of A Surcharge Note	18,415.00
Pumping Purchase Power	14,099.76
Phosphates	28,641.38
Total Expenses	<u>61,156.14</u>
Net Surcharge Income	<u><u>\$ 49,282.55</u></u>
Effect on federal tax	
Taxes as filed	\$ 6,313.00
Taxes without surcharges	<u>0.00</u>
Federal Taxes	<u><u>\$ 6,313.00</u></u>
Effect on state tax	
Taxes as filed	\$ 1,610.00
Taxes without surcharges	<u>20.00</u>
State Taxes	<u><u>\$ 1,590.00</u></u>
Total Tax Effect on Income	<u><u>\$ 7,903.00</u></u>